

## Message Text

LIMITED OFFICIAL USE

PAGE 01 DACCA 01905 151346Z

41

ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 TRSE-00 COME-00 CIAE-00 DODE-00

PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 USIA-06 OMB-01 IO-13 AID-05 OPIC-03 IGA-02

XMB-02 CIEP-01 SIL-01 LAB-04 AGR-05 /101 W

----- 079846

R 140956Z APR 76

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 322

INFO AMEMBASSY ISLAMABAD

AMEMBASSY NEW DELHI

LIMITED OFFICIAL USE DACCA 1905

EO 11652: N/A

TAGS: EIND, BG

SUBJ: CALL ON A.K.M. HAFIZUDDIN, BDG ADVISOR FOR INDUSTRIES

REF: STATE 81210 B. 74 DACCA 1261

1. SUMMARY. AMBASSADOR CALLED APRIL 12 ON A.K.M. HAFIZUDDIN, MEMBER OF THE COUNCIL OF ADVISORS OF INDUSTRIES. HAFIZUDDIN DESCRIBED STEPS BDG WAS TAKING TO IMPROVE OPERATING EFFICIENCY OF GOVERNMENT- OWNED AND MANAGED INDUSTRIES; SAID THAT THE GOVERNMENT WOULD DIS- INVEST (I.E., SELL TO PRIVATE INVESTORS) MANY NON-NATIONALIZED INDUSTRIAL UNITS NOW RUN BY GOVERNMENT CORPORATIONS; AND OFFERED HIS VIEWS THAT BDG POLICIES ALONE WOULD NOT BE ADEQUATE TO ATTRACT FOREIGN

PRIVATE INVESTORS. AMBASSADOR LEFT COPY OF "USG POLICY CONCERNING THE VALUATION OF EXPROPRIATED PROPERTY" PER REFTEL A. HAFIZUDDIN SAID GOVERNMENT HAD REACHED DECISION ON INTERNATIONAL TANK TERMINALS' OWNERSHIP QUESTION. WE WILL FOLLOW UP WITH COMPANY LAWYER HERE AND REPORT BY SEPTEL. END SUMMARY

2. AMBASSADOR, ACCCOMPANIED BY ECON COUNSELOR, CALLED APRIL 12 ON  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 DACCA 01905 151346Z

A.K.M. HAFIZUDDIN, MEMBER OF THE BDG COUNCIL OF ADVISORS FOR

INDUSTRIES, TO INQUIRE ABOUT CURRENT BDG INDUSTRIAL POLICY AND ZL  
LEAVE STATEMENT TRANSMITTED REFTEL A.

3. DECENTRALIZATION. HAFIZUDDIN SAID THAT THE GOVERNMENT WAS TRYING  
TO IMPROVE THE MANAGEMENT OF ITS INDUSTRIES AND, TO THIS END, HAD  
DECIDED THAT THERE WOULD BE SEPARATE BUDGETS FOR EACH CORPORATION AND  
WITHIN EACH CORPORATION FORHLNDIVIDUAL INDUSTRIAL UNITS. EACH UNIT  
WOULD HAVE ITS OWN BOARD FO DIRECTORS WHICH COULD INCLUDE A REPRESENT  
A-  
TIVE OF THE GOVERNMENT CORPORATION CONCERNED. EACH UNIT WOULD BE RUN  
IN  
ACCORDANCE WITH THE COMPANIES ACT, THAT IS, EACH WOULD PUBLISH A  
BALANCE SHEET, AND BE SUBJECT TO AUDIT. EVERYTHING WOULD BE PUBLISHED  
AND "OUT IN THE OPEN", HAFIZUDDIN SAID. IT HAD PROVED MORE DIFFICULT  
THAN ANTICIPATED TO PUT THE NEW POLICIES INTO EFFECT, HOWEVER, IN PART  
BECAUSE OF DIFFICULTIES IN SWITCHING OVER IN THE MIDEST OF A FISCAL  
YEAR, HAFIZUDDIN EXPECTED THAT THE SYSTEM WOULD GET UNDER WAY AT THE  
BEGINNING OF THE NEXT FISCAL YEAR, FROM JULY 1, 1976.

4. DISINVESTMENT. HAFIZUDDIN EXPECTED AN ANNOUNCEMENT IN ABOUT ONE  
WEEK'S TIME OF THE GOVERNMENT POLICY TO SELIV PRIVATE BIDDERS THOSE  
INDUSTRIAL UNITS WHICH HAD BEEN TAKEN OVER BY THE GOVERNMENT BUT NOT  
NATIONALIZED (E.G. ABANDONED PROPERTIES). THE GOVERNMENT HAD DECIDED  
TO DEINVEST ITSELF OF RATHER A CONSIDERABLE NUMBER UNITS, HAFIZUDDIN  
SAID, BUT ONLY A FEW OF THSE WOULD BE OFFERED FOR SALE AT ANY ONE TIM  
E  
IN ORDER TO AVOID FLOODING THE MARKET AND SCARING OFF POTENTIAL BUYER  
S.  
MAKING A DISTINCTION BETWEEN DENATIONALIZATION, WHICH WAS NOT  
CONTEMPLATED, AND DISINVESTMENT, HAFIZUDDIN NOTED THAT AMONG THE  
JUTE INDUSTRIES, MILLS PRODUCING HESSIAN, SACKING, AND CARPET  
BACKING, WERE NATIONALIZED AND WOULD NOT BE OFFERED FOR SALE, BUT  
UNITS PRODUCING TWINE, AND PRODUCTS SUCH AS "JUTEX" (A BLEND OF  
JUTE AND OTHER FIBERS) WOULD BE. (INDEED, A GENERAL ANNOUNCEMENT,  
REPORTED SEPTEL, APPEARED IN APRIL 13 NEWSPAPERS.)

5. LABOR. IN ADDITION TO THE POLICY OF DECENTRALIZATION (PARA 3  
ABOVE) THE MAJOR PROBLEM IN IMPROVING THE EFFICIENCY OF THE INDUSTRIAL

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 DACCA 01905 151346Z

UNITS WAS THAT OF EXCESS LABOR. THE JUTE INDUSTRY WAS THE WORST  
OFFENDER HERE. IT COULD CAUSE VERY CONSIDERABLE DIFFICULTIES TO  
ATTEMPT TO DISMISS THESE WORKERS. ONE IDEA, WHICH HAFIZUDDIN HAD  
DISCUSSED WITH LABOR LEADERS, WOULD BE TO EMPLOY FROM 5,000 TO  
6,000 JUTE WORKERS AS PART OF THE 18,000 FAMILY PLANNING WORKERS TO  
BE POSTED IN THE VILLAGES AROUND THE COUNTRY. LABOR LEADERS HAD  
GIVEN THEIR BLESSING TO THIS SUGGESTION PROVIDED THE WORKERS  
WERE ASSIGNED TO THEIR HOME DISTRICTS.

6. NATIONIZATION COMPENSATION. AMBASSADOR LEFT WITH HAFIZUDDIN THE TEXT OF THE DEFINITIVE STATEMENT OF "USG POLICY CONCERNING THE VALUATION OF EXPROPRIATED PROPERTY" TRANSMITTED BY STATE 81210. IN ADDITION TO DESCRIBING THE POLICY, AMBASSADOR CALLED SPECIFIC ATTENTION TO THE FIMP SENTENCE CONCERNING USG RESERVING ITS RIGHTS 59 .-8,5-8, CLAIMS FOR WHAT IT REGARDS AS ADEQUATE COMPENSATIONM IN ADDTION, WE ARE SENDING COPIES OF THIS STATEMENT BY LETTER TO THE FOLLOWING MEMBERS OF THE COUNCIL OF ADVISORS, ZIAUR RAHMAN (FINANCE), MIRZA NURUL HUDA (PLANNING), KAZI ANWARUL HAQUE (JUTE).

7. PRIVATE INVESTMENT. AMBASSADOR STRESSED US INTEREST IN POSSIBLE PRIVATE INVESTMENT IN BANGLADESH, BUT NOTED THAT DESPITE THE IMPROVED BDG INVESTMENT POLICY, POTENTIAL FOREIGN INVESTORS REMAINED CAUTIOUS IN THE LIGHT OF THE SITUATION HERE OVER THE PAST FEW YEARS. HAFIZ- UDDIN EXPRESSED THE HOPE THAT PRIVATE INVESTORS WOULD COME TO BANGLADESH BUT READILY AGREED THAT THE ANNOUNCEMENT OF IMPROVED POLICIES WOULD NOT, BY ITSELF, BE ENOUGH. A CLIMATE OF CONFIDENCE, AND BY IMPLICATION STABILITY, WOULD NEED TO BE CREATED.

8. INTERNATIONAL TANK TERMINALS (ITT). AMBASSADOR AGAIN RAISED THIS LONGSTANDING ISSUE (REF B AND NUMEROUS SUBSEQUENT MEMCONS). HAFIZUDDIN WAS FAMILIAR WITH THE SUBJECT AND RECALLED THAT HIS FRIEND OF 20 YEARS, BADRUDDIN AHMED, ACTING AS A LAWYER FOR ITT, HAD DISCUSSED THE MATTER WITH HIM. HAFIZUDDIN WAS FRANKED TO SAY THAT HE WAS SUSPICIOUS OF THE WAY THIS CASE HAD BEEN HANDLED AND HAS REVIEWED THE FILE AND CALLED FOR A NEW LEGAL OPINION. THIS HAD NOW BEEN RECIEVED AND IT HAD AGREED WITH THE EARLIER VIEW OF THE LEGALITY OF THE GOVERNMENT'S TAKING OVER CONTROL OF THIS ORIGINALLY US PROPERTY. AT HUZUDDIN'S SUGGESTION WE PLAN TO OBTAIN THE DETAILS FROM BADRUDDIN AHMED AND TO REPORT FURTHER.

9. GENERAL IMPRESSION. CONTRARY TO OUR EXPRECTION, BASED ON LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 DACCA 01905 151346Z

HAFIZUDDIN'S BACKGROUND AS A POLICE OFFICER AND SOMEWHAT SURPRISING APPOINTMENT TO THE PAKISTAN INDUSTRIAL DEVELOPMENT CORPORATION (1962), FOR WHICH HE APPEARED UNQUALIFIED, HAFIZUDDIN MADE A VERY FAVORABLE IMPRESSION. HIS POLICIES ARE IN LINE WITH THE WORLD BANK AND OTHER DONOR RECOMMENDATIONS AND SEEMED SENSIBLE TO US. THE PRESENTED HIS POINTS OF VIEW IN AN ATTRACTIVE MANNER, AND SEEMED GENUINELY INTERESTED IN DISCUSSING HIS PLANS WITH US. (HE WAS FRANK TO ADMIT THAT THE ITT CASE HAD AROUSED HIS SUSPICION AND WHILE HE FOUND IT HAD BEEN HANDLED IN A LEGAL MANNER, HE THOUGHT THIS AN EXAMPLE OF THE FACT THAT THE LAW IS AN ASS".)

BOSTER

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COMPENSATION, NATIONALIZATION, POLICIES, BUSINESS FIRMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 APR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** saccheem  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976DACCA01905  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760143-0242  
**From:** DACCA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760464/aaaacbj.tel  
**Line Count:** 166  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 81210, 76 DACCA 1261  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** saccheem  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 07 JUN 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <07 JUN 2004 by ElyME>; APPROVED <30 SEP 2004 by saccheem>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CALL ON A.K.M. HAFIZUDDIN, BDG ADVISOR FOR INDUSTRIES  
**TAGS:** EIND, BG, US, (HAFIZUDDIN, A K M)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006